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No time for solo action

If it wants to achieve anything close to 'military strategic autonomy' in the future, Europe must rearm itself on a continental scale

French President Emmanuel Macron recently called on France to become a 'war economy'. He has placed €20 bn worth of new defence orders this year and ordered defence companies to crank up production, with the aim of replenishing ammunition stocks and supporting Ukraine.

Poland, meanwhile, has pledged to ramp up its defence spending to four per cent of gross domestic product – twice the minimum commitment demanded by the North Atlantic Treaty Organization – while Norway has committed to a warship-building programme that will double its military spending by 2036.

The trigger for this sudden surge in European defence spending is clear. It is not just the need to supply Ukraine with the ammunition and *matériel* needed to survive but the realisation that the United States is becoming a strategically unreliable ally.

Challenges facing European defence

A chorus of voices – from European Council President Charles Michel to Estonian Premier Kaja Kallas – have called on the European Union to finance a new round of defence investment, using pooled debt instruments rather than relying on national budgets. And in March, the European Commission issued its first-ever European Defence Industrial Strategy (EDIS).

But the challenges facing European defence are huge. Not only have European states traditionally underspent in this arena: their own defence industries are fragmented and capital for new investment is scarce, leaving Europe's armies chronically reliant on US equipment.

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The EDIS, though high in ambition, makes for grim reading as an audit of current defence

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production — especially when viewed alongside the US response to the new danger. If EU Member States had all met the NATO threshold of two per cent of GDP, between 2006 and 2020, they would have spent an extra trillion euros, a quarter of that, on investment. So, as demand for ammunition and new kit surged in response to the war in Ukraine, 78 per cent of Europe's expenditure on arms went abroad, with the US alone accounting for 63 per cent.

Moreover, EU states do not routinely collaborate in their defence spending. Only 18 per cent of Europe's military equipment budgets go on cross-border projects — just half-way to the 35 per cent benchmark set by Member States back in 2007.

Europe's armies, in short, are existentially reliant on the US for high-technology equipment, with South Korea emerging as a supplier of urgent, mass-produced tanks and artillery. The European defence industry is replete with jealously protected 'national champions', which have shown little propensity to invest proactively and at scale. However puffed up, they are at best niche innovators, not capable – unlike their US rivals – of the generational leaps required by the threat from an authoritarian Russia and a Chinese dictatorship defying any rules-based order cemented by universal norms.

Wasted potential

The US, meanwhile, is moving fast. Its own National Defense Industrial Strategy, published late last year, diagnoses a different problem — a highly monopolised defence industry, focused on big systems integrators such as Lockheed Martin and General Dynamics. This leaves little room for small and medium enterprises and technology start-ups to change the game and allows the big five defence companies to more or less design their own market.

In response, the US has pledged to open its domestic defence market to foreign 'partnership' – rather than competition – and to buy from a broader domestic ecosystem, giving SMEs and digital-focused tech companies greater direct access, removing the gatekeeper role played by the big five.

With the US determined to 'reshore' its defence production, and to do much more state direction at the very moment Europe wants to do

likewise, it is hard to imagine the Europeans getting the upside of the bargain without a more aggressive approach. And the EDIS sets some ambitious targets: it wants EU Member States to be spending 50 per cent of their defence budgets in Europe by 2030 and 60 per cent by 2035, with 40 per cent of the spending to be collaborative by 2030. But achieving those targets will be hard.

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In terms of present-day military technologies, Europe does have some great niche suppliers. When the United Kingdom realised it suddenly needed warships that could sink other warships, it rushed to buy 200 Naval Strike Missiles from Norway's Kongsberg because the NSM is the stand-out weapon in its class. The French Rafale is a respected warplane used by airforces from Egypt to India, with a string of future orders. The German Puma infantry-fighting vehicle is seen as world-beating, if expensive.

The problem is, first, that Europe's current defence-technology success stories rarely achieve scale in Europe itself. Each country has its own variant of the infantry-fighting vehicle; each has its own traditional supplier of small arms.

The larger issue is the scale and pace of innovation. The Eurofighter Typhoon, a true pan-European project, is a reliable so-called four-and-a-half-generation fighter, as is the *Rafale*. But the US has produced two fighters whose stealth and digital-sensor technologies put them in the fifth generation of air combat: the F-22 and the F-35. The latter has become the go-to, multi-role aircraft for European customers — already operational in the UK, Italy and Norway and with a big order from Finland.

'Everyone who has been allowed to look behind the curtain at what the F-35 actually does, buys it', says the industry folklore. But there's a catch. The US government is said to be jealously guarding the aircraft's upgrade path and source code.

Picking a winner

If Europe wants anything like military 'strategic autonomy' in the future, it will need the capability to produce this new kind of defence technology. It is less about 'platforms' – such as aircraft and ships – and more about 'systems of systems': digital sensors and artificial-intelligence

capabilities distributed across networks on land, at sea, in the air and in space.

Here, state direction matters. According to the Australian ASPI institute, which monitors technological competition, China is dominant in 37 out of 44 'critical emergent technologies'. It maintains that position through seven top-secret military universities, whose research is state-directed and whose graduates supply the Chinese defence industry with three-quarters of its STEM-qualified workforce.

If Europe wants to create its own sixth-generation combat aircraft – and we do not yet know if that means a manned aircraft or a cloud of autonomous supersonic drones – then it needs to collectively 'pick a winner' and co-ordinate the available talent and expertise. Instead, there are two contenders: the Future Combat Air System – a collaboration between France, Germany and Spain – and the Global Combat Air Programme, involving Britain, Italy and Japan. Both projects are fraught with funding and work-sharing issues.

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University-government co-operation that could rival China's technological dominance in advanced weapons simply cannot happen in a higher-education sector which conceives of itself as a 'market', as the UK epitomises. If Labour wins the coming general election there and its leader, Keir Starmer, makes good his promise to sign a security pact with the EU, one obvious next step would be for the UK and EU to pledge a strategic partnership on defence technologies. Indeed, with Labour promising a European-style approach to industrial strategy more widely, defining Britain's relationship to a more state-directed European economy would be an early task.

For the EU, this is a defining moment. If Donald Trump wins the US presidential election in November and walks away from NATO, then we may have to look at spending *above* 4 per cent of GDP on the defence of Europe. And even if Joe Biden remains in the White House, the proven US unreliability over Ukraine shows Europe's need for strategic autonomy and technological sovereignty in defence. Achieving that could bring a major upside. Defence jobs are well paid and can be located in depressed regions, while defence research typically has major positive spillovers into the civil sector.

But the challenge is clear: defence *étatisme* at a national level is over. Europe must rearm itself on a continental scale — not only with Eurobonds to fund a wave of new investment but with the consolidation of national production bases into a 'war economy' that goes beyond rhetorical invocation.

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